



Trends and Takeaways

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October 8, 2012



About SAC

- Who we are
- What we do
- www.stewardshipaction.org

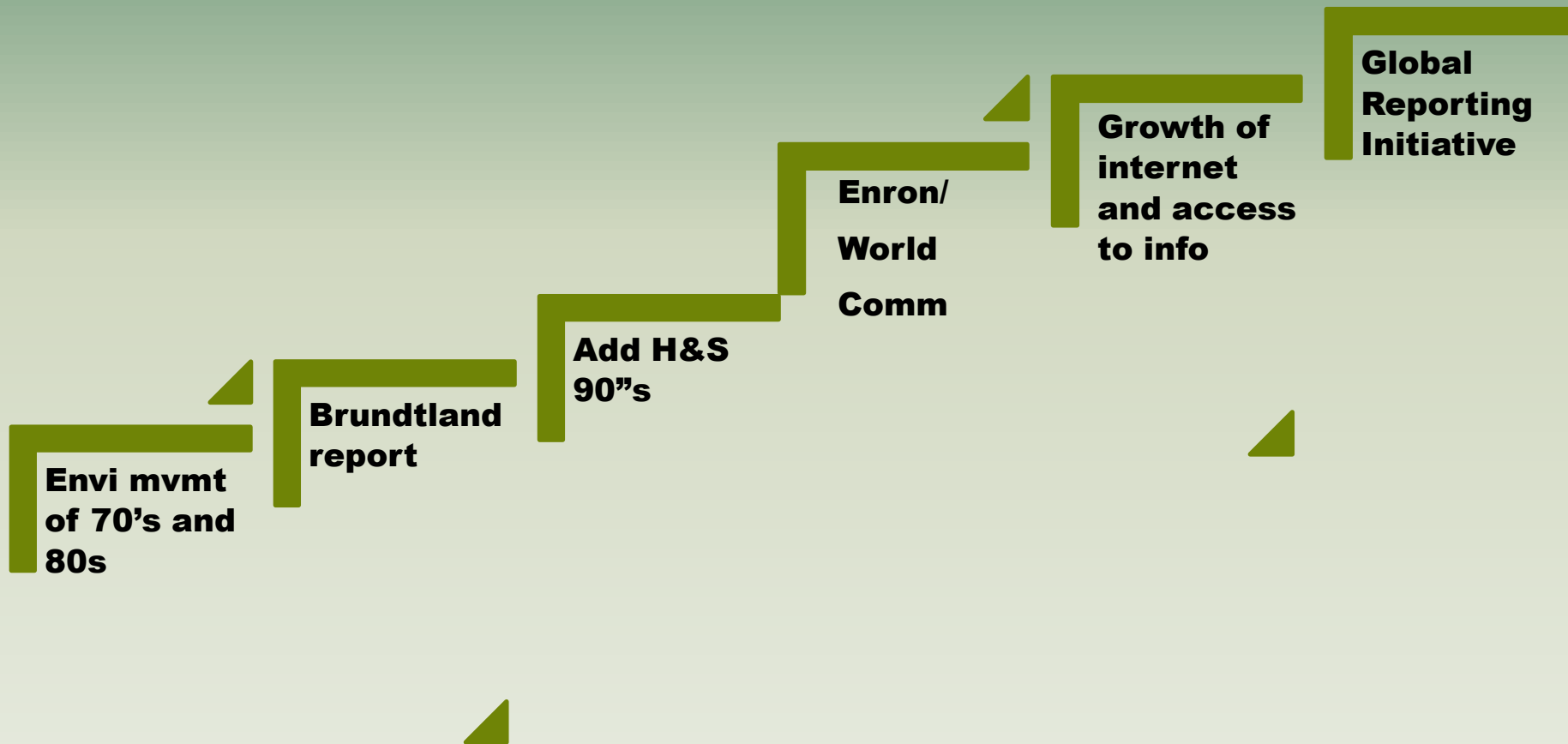
Where are we trying to go?



*Meeting the needs of the present generation without compromising
the ability of future generations to meet their own needs.*

-- Brundtland Commission, 1987 --

Where have we been?





Where are we today?

Recent McKinsey survey findings

- **Increasing interest in sustainability**
- **More than 50 percent of executives surveyed consider sustainability 'very' or 'extremely' important in a wide range of areas, including overall corporate strategy.**



Where are we today?

According to a recent KPMG report

- **In October 2011, population reached 7 B**
- **Population growth will magnify challenges**
- **Climate change and resource scarcity will be serious issues in the medium and long term for companies worldwide**

KPMG Research Finds Sustainability “Megaforces” Impact on Business Will Accelerate



- **Climate Change**
- **Energy & Fuel**
- **Material Resource Scarcity**
- **Water Scarcity**
- **Population Growth**
- **Wealth**
- **Urbanization**
- **Food Security**
- **Ecosystem Decline**
- **Deforestation**

Environmental sustainability is compelling: finite resources / overwhelming science

Climate - carbon dioxide emissions have quadrupled since 1950.

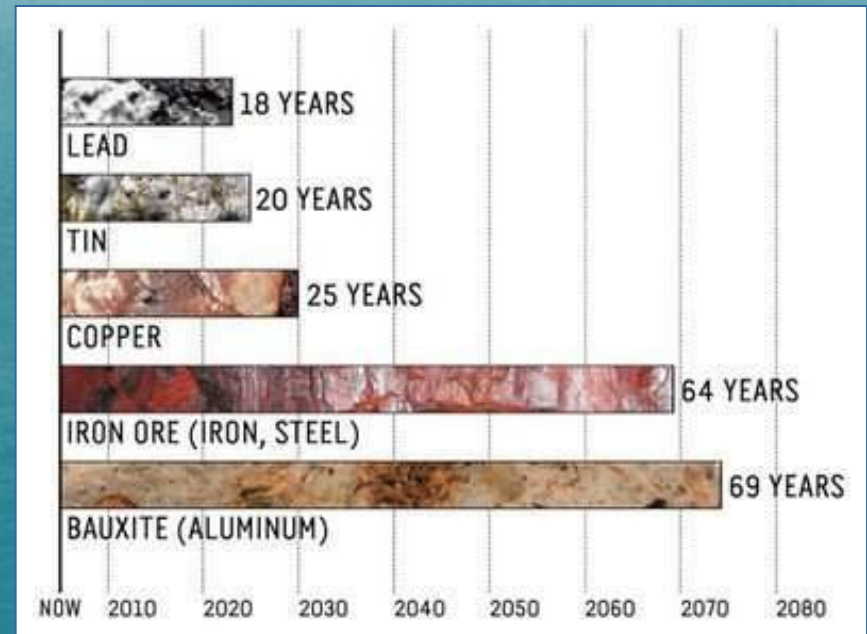
Water consumption is rising twice as fast as world population. Some 300 million people live with severe water shortages.

Forests have shrunk 36% since 1970. The loss is concentrated in developing countries.

Wild species are becoming extinct 50 to 100 times faster than they naturally would.

Soils have been severely degraded, 17% over the last 50 years.

Remaining Availability of Metals



Source: US Geological Survey study, based on 2% growth in extraction

MIT Sloan Management Review Research Report 2012; Sustainability Near a Tipping Point



Surveyed managers/executives from companies around the world, asking how they are developing/implementing sustainable business practices.

- 4,000+ from 113 countries responded
- 70% have sustainability on their management agendas
- Two-thirds said sustainability was necessary to being competitive in today's marketplace, up from 55% in 2010 survey
- Many are increasing commitments to sustainability initiatives
- Most believe a sustainability strategy is competitive necessity
 - 3x as many respondents say sustainability is critical to being competitive now than say that it is not critical now but will be important in the future.

MIT Sloan Management Review Research Report 2012; Sustainability Near a Tipping Point



Conclusion

Sustainability movement is nearing a tipping point, the point at which a substantial portion of companies are not only seeing the need for sustainable business practices but are also deriving financial benefits from these activities.

<http://sloanreview.mit.edu/feature/sustainability-strategy-introduction/>

Ernest and Young



Surveyed 272 sustainability executives in 24 industry sectors who are employed by companies generating revenue greater than \$1 billion.

Findings included:

- Sustainability reporting is growing, but the tools are still developing
- The CFO's role in sustainability is on the rise
- Employees emerge as a key stakeholder group for sustainability programs and reporting
- Despite regulatory uncertainty, greenhouse gas reporting remains strong, with growing interest in water
- Awareness is on the rise regarding the scarcity of business resources
- Rankings and ratings matter to company executives

http://www.ey.com/US/en/Services/Specialty-Services/Climate-Change-and-Sustainability-Services/Six-growing-trends-in-corporate-sustainability_overview



Ernest and Young Webinar

- Sustainability is a business strategy, not an environmental initiative. Benefits come from:
 - Initiatives themselves
 - Culture change
 - Experimental learning
 - Measurement
 - Stakeholder engagement
- Ask
 - we have we been?
 - where do we want to go?
 - Set goals to get there.
- Its about doing business in a increasingly low carbon resource constrained world

http://www.ey.com/US/en/Services/Specialty-Services/Climate-Change-and-Sustainability-Services/Video_Mar2012_Bottom-line-benefits-of-sustainable-business-practices

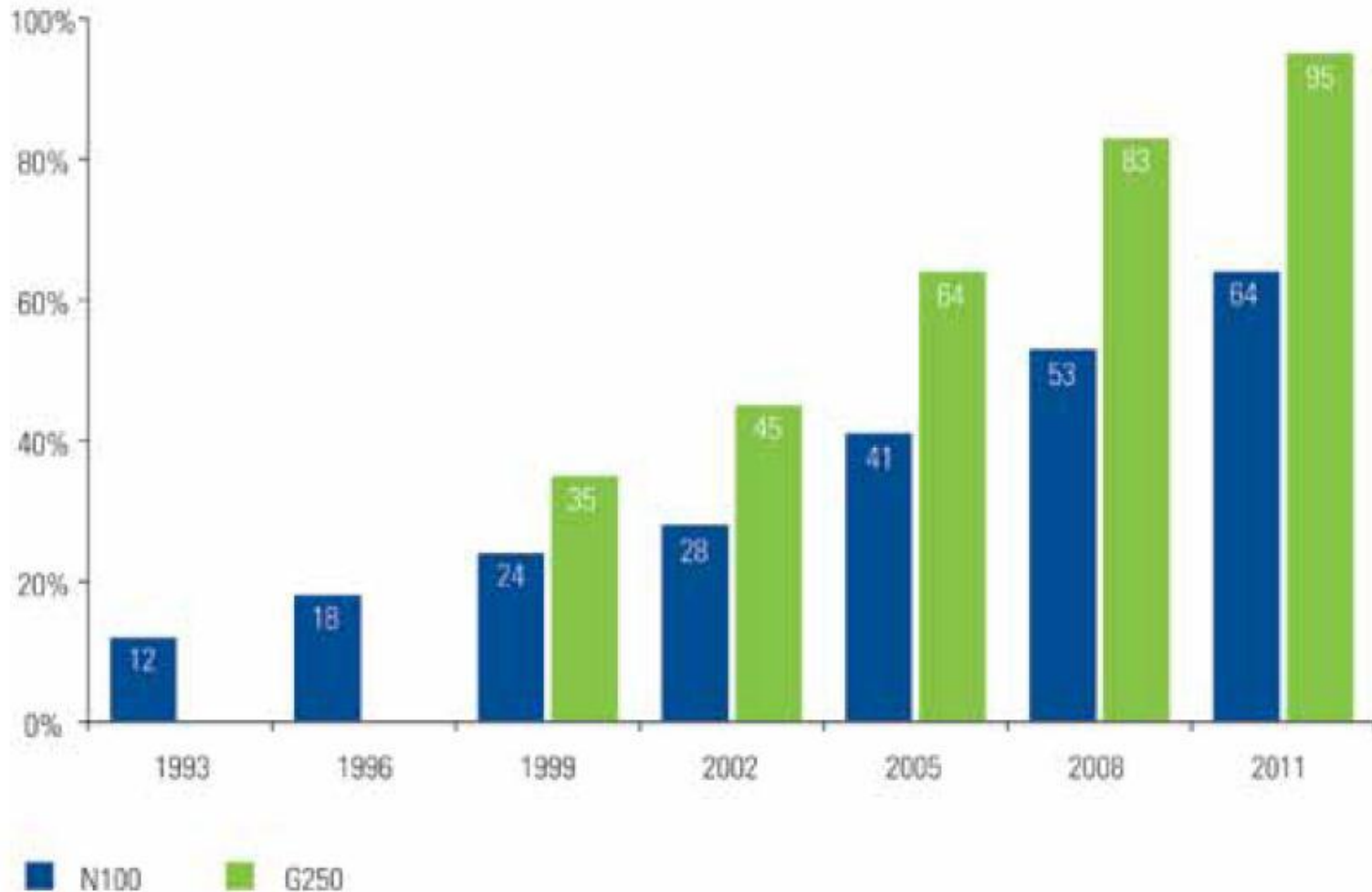


KPMG International Survey of Corporate Responsibility Reporting 2011

- 95% of 250 largest companies report on CSR activities
- Europe has highest reporting rates; Americas/Middle East/Africa increasing
- Publicly traded companies have highest percentage, with significantly lower percentages for family-owned enterprises , cooperatives and companies owned by professional investors such as private equity firms.
- Reputational considerations continue to drive CR reporting; **innovation and learning is rapidly gaining appreciation.**
- Almost half of the 250 largest companies in the world and a third of the 100 largest companies in each of the 34 countries studied reported gaining financial value from their CR programs
- Over 2/3rds of the companies follow GRI Sustainability Reporting Guidelines.

<http://www.kpmg.com/US/en/IssuesAndInsights/ArticlesPublications/Documents/corporate-responsibility-reporting-2011.pdf>

Where are we today?



Note: Survey results for the years 1993 to 2002 represent separate CR reports only. Due to the increasing trend in integrated reporting, the figures published after 2005 represent total reports, separate and published as part of annual reports,

Source: KPMG International Corporate Responsibility Reporting Survey, 2011

Trends

In 2002

- 45% Global 250 Companies prepared reports
- 70% of reports were EHS focused

In 2005

- 64% of Global 250 Companies reporting
- 70% of reports were Sustainability focused

In 2010

- 83% of Global 250 Companies reporting
- 5,300 companies report under Global Compact
- 2000+ companies registered GRI reports

Today

- 95% of Global 250 Companies report
- 8700 companies report under global compact
- 3000+ companies registered GRI reports



Other Drivers



War for Talent → Sustainability reputation

- Global workforce study of 94,000 workers in 21 countries → Better CSR Programs necessary to attract talent
- Poll of professionals in 26 countries found 82% cite corporate leadership and ethics as of critical importance
- Revenue Pressure → Carbon trading
Estimated to be \$170B globally in 2010, up 33% from 2009
- Sarbanes Oxley → Sustainability reporting

Drivers



- Goldman Sachs, Citigroup, JPMorgan, Merrill Lynch, Morgan Stanley have published investment research on the impact of social and environmental trends on company performance
- 68 banks from 17 countries (including Bank of America, Citigroup, JPMorgan Chase, Wachovia and Wells Fargo) have adopted the "Equator Principles" as a means of standardizing the review of social and environmental factors in lending
- The Department of State has a CSR Team in the Bureau of Economic and Business Affairs

Take Aways

- **Sustainability pressures increasing**
- **Benefits from sustainability initiatives/programs are more proven – strengthening the business case**
- **Transparency demands increasing**
- **Sustainability reporting more mainstream**
- **Global pressures continue to increase**
- **Everyone is facing these challenges in one form or another**



Selling Concept to Management or Where to from Here?

- **Build from where you are – this is a journey.**
- **Research your competitors**
 - **Tables/data showing what others are doing can help**
- **Customer pressure (The Wal-Mart Effect)**
- **Conduct a gap analysis - Identify your headaches and show how this will help**
 - **Start with assessing where you are**
 - **Identify where you want to be**
 - **Set goals and establish initiatives to get you there**
- **Propose a program that will encourage CI**
- **Share the successes**
- **Learn from others (SAC)**



Contacts

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